

**Statement of
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ANC Participation in the 8(a) Business Development Program**

Chairman Manzullo, Chairman Davis, Ranking Member Velazquez, Ranking Member Waxman, and members of the Small Business and Government Reform Committees, thank you for inviting me here today to discuss the participation of Alaska Native Corporations (ANC) in the 8(a) Business Development Program.

I will begin with a quick overview of SBA's 8(a) Business Development Program or the 8(a) program as it is commonly referred. The 8(a) program was enacted during the 1960s to assist eligible small disadvantaged business concerns to compete in the American economy through business development. The Small Business Act authorizes SBA to develop business ownership among groups that own and control little productive capital. Individual applicants must demonstrate social and economic disadvantage. Although some groups are presumed to be socially disadvantaged, they, as well as all other applicants, must also demonstrate economic disadvantage. ANCs, Native Hawaiian Organizations (NHOs), Community Development Corporations (CDCs) and Tribally-owned 8(a) firms are deemed by statute to be socially and economically disadvantaged. In addition, all U.S. citizens who can demonstrate social and economic disadvantage as well as compliance with the other eligibility requirements are welcome to apply for participation in the 8(a) program. Besides the management and technical assistance provided under the program, firms that are certified for 8(a) program participation may be

eligible to receive contracts that Federal agencies offer to SBA for the 8(a) program. Furthermore, an important component of the 8(a) program is the government's ability to award contracts to participating firms without competition below a certain dollar threshold. By statute, the government is also authorized to restrict competition for Federal contracts above stated dollar thresholds to 8(a)-certified firms.

In 1986 a significant change was made to the 8(a) program when Congress enacted legislation that allowed ANCs, NHOs, CDCs and Tribally-owned firms to participate in the 8(a) program. Congress intended this legislation to foster economic development to respective communities.

Since enactment of the law, Congress has extended special procurement advantages to 8(a) ANC firms, such as the ability to win sole-source contracts for any dollar amount. In comparison, non ANC-owned 8(a) firms can receive sole-source contracts for up to \$5 million for manufacturing or \$3 million for all other contracts. Additionally, for non-ANC 8(a) firms, procurements must be competed whenever possible before being accepted on a sole-source basis while for ANC-owned 8(a) firms, procurements need not be competed before being accepted on a sole-source basis. Another way ANC-owned firms differ from non-ANC 8(a) firms: there is no limit on the number of firms an ANC 8(a) participant may own as long as each business is in a different primary industry. Moreover, the president or CEO of a non-ANC 8(a) must be a disadvantaged individual, whereas the management of an ANC-owned 8(a) firm need not be a disadvantaged individual.

The primary difference between ANC-owned 8(a) firms and non ANC-owned firms lies in the intent of their participation in the 8(a) program. The 8(a) program design anticipates that organization owned firms, including ANC's will utilize the program to provide economic development to their respective communities. All other 8(a) participant firms utilize the program to receive individual business development, as was the initial intent of Congress. Again, I must emphasize that as the law is currently written, the 8(a) program is simultaneously providing a business development program to disadvantaged individuals while also providing regional or community economic development to organization owned firms including ANCs.

The GAO Report published in April of this year entitled "Increased Use of Alaska Native Corporations' Special 8(a) Provisions Call for Tailored Oversight" addresses some of the differences I just mentioned. The report also states that ANCs have utilized the 8(a) program to improve local economic conditions and provide increased social services to Alaskan Natives. The report notes that Federal contract dollars obligated to firms owned by ANCs grew from \$265 million in FY 2001 to \$1.1 billion in FY 2004. Importantly, there is no indication within this report of wrongdoing by any participant in this program. In fact, the issues addressed in the report come from activities that are part of the program as Congress designed it.

Also, significant increases in Federal contract dollars went to other groups during the same period of time. In FY 2004 women-owned small businesses grew from \$5.5 billion to \$9.1 billion, service-disabled veteran-small businesses grew from \$554 million to \$1.2 billion, HUBZone firms grew from \$1.6 billion to \$4.8 billion, and overall small business grew from \$50.1 billion to \$69.2 billion. The Federal Government achieved its goal during FY 2003 and FY 2004 that 23 percent of its prime contracting dollars were awarded to businesses that qualified as small businesses, including ANC's. Though there is a small disadvantaged business goal which includes the 8(a) program, there is no separate goal for 8(a). However, in FY 2004, 8(a) firms were awarded \$8.4 billion of the SDB achievement of \$18.5 billion.

Finally, I'd like to talk about oversight. The SBA takes its oversight responsibility over Federal procurement programs very seriously. Prior to the release of the GAO Report, the Agency had taken a number of steps to improve the oversight of the 8(a) program, including taking into consideration special provisions afforded to 8(a) concerns owned and controlled by ANC's, NHO's, and Indian tribes. For instance, the Agency is revising its Partnership Agreements, which delegate 8(a) contracting authority from SBA to various Federal procuring agencies, to clarify their roles and responsibilities for monitoring contract compliance of and performance by 8(a) firms. SBA has also increased training to field staff responsible for working on 8(a) issues. In addition, the Agency is exploring possible regulatory changes that will strengthen the program and increase SBA's oversight capabilities. SBA also recently installed a new, experienced management team to oversee the 8(a) program.

SBA is committed to continue implementing the laws governing the 8(a) program as Congress intended them. We would also like to ensure that through our oversight and administration of the program, all 8(a) participants receive the assistance that Congress intended.

Thank you for allowing me to share SBA's views with you today and I am happy to answer your questions.